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FOLL REPEAT DACCA 1180 ACTION SECSTATE INFO ABU DHABI TEHRAN

JIDDA DAMASCUS KUWAIT BEIRUT BAGHDAD 06 MAR 75 QUOTE

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E.O. 11652: N/A

TAGS: EAID, ENRG, XF, BG, EFIN

SUBJECT: ARAB ASSISTANCE TO BANGLADESH

SUMMARY: OIL-RICH MID-EAST STATES, WHO PROVIDED NO RPT NO ASSISTANCE TO BANGLADESH BEFORE JULY 1974, HAVE REPORT-EDLY PLEDGED IN JULY-DECEMBER, 1974 PERIOD SOME TWO HUNDRED SEVENTEEN MILLION DOLLARS IN EMERGENCY, NON-PROJECT, AND PROJECT ASSISTANCE. SEVENTY-TWO MILLION DOLLARS WERE DISBURSED DURING THAT PERIOD AND THE BDG PROJECTS AN ADDITIONAL FIFTY-TWO MILLION DOLLARS IN DISBURSEMENTS DURING JAN-DEC 1975. THUS, ARAB ASSISTANCE IS AN IMPORTANT ELEMENT IN FOREIGN DONOR SUPPORT FOR BANGLADESH IN FY 75. WE WELCOME, INDEED SOUGHT, SUCH BURDEN SHARING. WHILE SOME ARAB DONORS WERE REPRESENTED AT THE FIRST BANGLADESH AID GROUP MEETING, THIS GROUP HAS, TO DATE, APPARENTLY NOT SUPPORTED WESTERN POLICY RECOMMENDATIONS FOR BANGLADESH. END SUMMARY.

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1. BDG PLANNING COMMISSION HAS PROVIDED MISSION WITH INFORMATION ON ARAB ASSISTANCE TO BANGLADESH THROUGH MID-FEBRUARY, GIVING US BASIS FOR REASONABLY COMPLETE DESCRIPTION COUNTRY-BY-COUNTRY. WHILE MUCH OF WHAT FOLLOWS MERELY CONFIRMS OR REPEATS INFORMATION REPORTED EARLIER, WE BELIEVE IT USEFUL PULL IT TOGETHER HERE (REFERENCES ARE TO LATEST REPORTS SUBMITTED).

2. IRAN: FIFTEEN MILLION DOLLAR LOAN AS PART OF INTERNATIONAL LOAN PACKAGE FOR FOREIGN EXCHANGE COSTS OF ASHUGANJ FERTILIZER PLANT. TERMS UNKNOWN; LOAN AGREEMENT NOT YET SIGNED.

3. IRAQ: (DACCA 4563)

A) SIX MILLION DOLLAR GRANT TO FINANCE A REPORTED 60,000 TONS OF CRUDE OIL. AGREEMENT SIGNED OCT. 6, 1974 WITH PETROBANGLA (BDG OIL GAS CORPORATION). FIVE MILLION DOLLAR LOAN, ALSO SIGNED OCT. 6, TO FINANCE 40,000 TONS OF CRUDE OIL AND, WE UNDERSTAND, 10,000 TONS OF KEROSENE. ONE MILLION DOLLARS WORTH OF THE GRANT FUNDS HAD BEEN DISBURSED AS OF JANUARY FIRST, 1975 WITH BDG PROJECTING BOTH LOAN AND GRANT FUNDS FULLY DISBURSED BY JUNE 30, 1975.

B) TWENTY MILLION DOLLAR BALANCE OF PAYMENTS SUPPORT LOAN, ALSO DATED OCT. 6, AT TWO PERCENT PAYABLE OVER TEN YEARS. NOTHING DISBURSED AS OF JANUARY FIRST, BUT BDG PROJECTS FULL AMOUNT TO BE DISBURSED BY JUNE 30.

C) TWENTY MILLION DOLLAR PROJECT LOAN FOR A CEMENT FACTORY, TERMS UNKNOWN. PROJECT DETAILS APPARENTLY YET TO BE WORKED OUT.

D) DOLLARS THREE MILLION FOR FLOOD RELIEF GRANT, FULLY DISBURSED BY SEPTEMBER 30, 1974.

4. KUWAIT: (KUWAIT 699)

A) ALTHOUGH NO PROJECT AGREEMENTS HAVE YET BEEN SIGNED, TWO PROJECT LOANS TOTALLING DOLLARS 29 MILLION WERE ANNOUNCED IN FEBRUARY 1975. FIRST LOAN OF 22 MILLION TO FINANCE EXTENSION OF POWER DISTRIBUTION FOR LOW-LIFT LIMITED OFFICIAL USE

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PUMPS REPAYABLE AT TWO PERCENT INTEREST OVER 25 YEARS, FOLLOWING SEVEN-YEARS GRACE PERIOD; SECOND LOAN OF DOLLARS SEVEN MILLION TO FINANCE MONU RIVER IRRIGATION WORKS OVER A 220,000 ACRE AREA IN THE SYLHET BASIN, PAYABLE AT TWO PERCENT INTEREST OVER 25 YEARS FOLLOWING EIGHT-YEAR GRACE PERIOD.

B) COMMODITY LOAN TO BE NEGOTIATED.

C) PROJECT LOAN FOR CEMENT FACTORY TO BE NEGOTIATED.

D) PROJECT LOAN FOR A FERTILIZER PLANT AT CHITTAGONG, FOR EXPORT ONLY, USING NATURAL GAS TO BE PIPED FROM TITUS GAS FIELD.

E) FLOOD RELIEF GRANT IN KIND (300 TONS OF FOOD AIR-FREIGHTED TO BANGLADESH) AT AN ESTIMATED TOTAL COST OF DOLLARS 300,000.

F) UNRESTRICTED DOLLARS 20 MILLION 360-DAY DEPOSIT IN BANGLADESH BANK AT SIX PERCENT (DACCA 5164).

5. LEBANON: DOLLARS 200,000 IN FLOOD RELIEF GRANT, DISBURSED BY SEPTEMBER 30, 1974.

6. SAUDI ARABIA: EMERGENCY FLOOD RELIEF GRANT OF DOLLARS 10 MILLION USED TO PURCHASE AND SHIP 48,000 MT OF WHEAT. FULLY DISBURSED BY DECEMBER 31, 1974.

7. UNITED ARAB EMIRATES: (DACCA 5845, DACCA 4616)

A) DOLLARS 50 MILLION LOAN REPAYABLE OVER 40 YEARS AT TWO PERCENT BEGINNING 1985 (I.E., TEN YEARS GRACE PERIOD). REPAYMENTS MAY BE REINVESTED IN MUTUALLY AGREED JOINT VENTURES IN BANGLADESH. LOAN FUNDS ARE TO BE PAID TO BANGLADESH IN THREE INSTALLMENTS AS FOLLOWS:

(I) DOLLARS 12 MILLION, PAID IN DECEMBER 1974 AND APPLIED IMMEDIATELY TO CRUDE OIL PURCHASES FROM UAE (UAE REPORTEDLY IS SUPPLYING 4.5 MILLION TONS TO BANGLADESH OVER 5 YEARS);

(II) DOLLARS 18 MILLION, PAID IN JANUARY 1975 AND WHICH BDG EXPECTS WILL BE DISBURSED BY JUNE 30, 1975 FOR COMMODITY IMPORTS; AND

(III) DOLLARS 20 MILLION TO BE PAID IN AUGUST 1975.

B) SEPARATE DOLLARS 20 MILLION COMMODITY LOAN TO FINANCE LIMITED OFFICIAL USE

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IMPORT OF RAW MATERIALS AND SPARES TO ENABLE SPECIFIC INDUSTRIES TO OPERATE AT CAPACITY. INDUSTRIES YET TO BE SELECTED. TERMS YET TO BE NEGOTIATED.

C) TWO DREDGERS, VALUED AT DOLLARS 11 MILLION.

D) FLOOD RELIEF GRANT OF DOLLARS 5 MILLION USED TO PURCHASE AND SHIP 21,578 MT OF WHEAT; FULLY DISBURSED BY DECEMBER 31, 1974.

8. OTHER FLOOD RELIEF GRANTS (ALL RECEIVED AND DISBURSED FROM JULY TO DECEMBER 1974):

A) ALGERIA - DOLLARS ONE MILLION.

B) EGYPT - DOLLARS 23,500.

C) LIBYA - DOLLARS ONE MILLION.

9. ABOVE RUN-DOWN IS BASED LARGELY ON BDG PLANNING COMMISSION INFORMATION AND HENCE, WE PRESUME, REASONABLY ACCURATE. MUCH OF THE ASSISTANCE REMAINS TO BE NEGOTIATED. OUT OF A TOTAL OF SOME 216.5 MILLION DOLLARS WORTH OF ASSISTANCE CARRYING A SPECIFIC VALUE (INCLUDING KUWAIT DEPOSIT IN BANGLADESH BANK), SOME 84 MILLION REMAINS SUBJECT TO FURTHER NEGOTIATIONS. NEVERTHELESS, ARAB (AND IRAN) FINANCIAL ASSISTANCE, WHICH BEGAN ONLY THIS FISCAL YEAR, ACCOUNTED DURING THE JULY-DECEMBER 1974 PERIOD FOR DOLLARS 71.5 MILLION OUT OF DOLLARS 400 MILLION DISBURSED (18 PERCENT, ASSUMING KUWAITI DEPOSIT DISBURSED) AND DOLLARS 132 MILLION OUT OF DOLLARS 612 MILLION COMMITTED (21 PERCENT). AS THERE WAS NO RPT NO ARAB ASSISTANCE TO BANGLADESH BEFORE JULY 1, 1974, ALL DISBURSEMENTS FROM ARAB ASSISTANCE CAME FROM COMMITMENTS DURING PERIOD CONCERNED. PLANNING COMMISSION PROJECTS FURTHER DOLLARS 52 MILLION IN DISBURSEMENTS FROM ARAB AID IN JANUARY-JUNE 1975 PERIOD.

10. COMMENT: ARAB ASSISTANCE IS ALREADY AN IMPORTANT ELEMENT IN FOREIGN DONOR SUPPORT FOR BANGLADESH. THE FIGURES ABOVE REPRESENT AN EXCELLENT FIRST-YEAR CONTRIBUTION. SOME ARAB AND IRANIAN DONORS ARE REPRESENTED ON THE BANGLADESH AID GROUP, BUT SO FAR AS WE ARE AWARE, HAVE YET TO SUPPORT IBRD, IMF AND WESTERN DONOR ECONOMIC LIMITED OFFICIAL USE

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POLICY RECOMMENDATIONS FOR BANGLADESH. WE WELCOME, INDEED WE SOUGHT, THIS NEW SOURCE OF ASSISTANCE AND ITS REPRESENTATION ON THE AID GROUP. HOWEVER, TO THE DEGREE THAT BANGLADESH FINDS IT CAN COUNT ON SUCH ASSISTANCE OVER TIME, THAT ASSISTANCE MAY LESSEN BANGLADESH DEPENDENCE ON IBRD, IMF AND WESTERN DONOR AID FLOWS AND THEREBY SOFTEN THE BENGALIEE PERCEPTION OF THE NEED TO ACCEPT THEIR ECONOMIC DEVELOPMENT POLICY RECOMMENDATIONS. CHESLAW

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